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JAY KIM
41ST DISTRICT, CALIFORNIA

COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION
SUBCOMMITTEES:
AVIATION
SURFACE TRANSPORTATION
ECONOMIC DEVELOPMENT

COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE:
REGULATION, BUSINESS OPPORTUNITIES AND TECHNOLOGY

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Congress of the United States
House of Representatives

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

92-266

July 23, 1993

The Honorable James Quello
Interim Chairman
Federal Communication Commission
1919 M Street N.W.
Washington, D.C. 20515

Dear Chairman:

Please be advised that I have recently received the enclosed correspondence from Mr. & Mrs. Dean Hazen of Ontario, California. Mr. & Mrs. Hazen own a small cable television operation.

As you will note, my constituents are concerned about the effect "The Cable Television Competition and Consumer Protection Act of 1992" is having on the availability of credit to small cable operators. I would appreciate it if you could review the effect these new regulations are having on small cable operators access to financing.

Thank you for your attention to this matter.

Sincerely,

Jay Kim

JAY KIM
Member of Congress

JK:mt

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STARSTREAM
COMMUNICATIONS

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AUG 20 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

July 16, 1993

The Honorable Jay C Kim
United States House of Representatives
502 Cannon House Office Building
Washington, DC 20515

RE: 1992 CABLE TV ACT & MAY 1993 REPORT & ORDER - CABLE RATE ROLLBACK

As a small cable TV operator, we experienced the most difficult financial period of our business life during 1990, 1991 and 1992 when lenders backed away from lending to small cable operators. Finally, in January of 1993, we were able to refinance with a relatively small lender, US Bank, when lenders began to again feel comfortable lending to small operators.

Now, however, just when we thought we were getting out of trouble, as the Vice President of US Bank indicates in the attached letter, the new FCC rules are again creating potentially onerous consequences which are again causing lender concern and potential withdrawal from lending.

In a prior communication to the FCC last month, as primary lenders to large cable companies, Chase Manhattan Bank and a consortium of 17 large lenders indicated that they were withdrawing lending until clarification of the rules takes place.

We respectfully urge that you lend your support to have the FCC "reconsider" the recently enacted FCC rules so lenders will find comfort to again provide funding for small operators' capital requirements for funding system extensions, rebuilds and new growth.

It is our view that small cable operators deliver better service and retain better relationships with customers than large companies. But, unless small operators receive relief from the burdensome rules, the small operator's chance for survival is very limited.

Respectfully submitted

Dean Hazen

DEAN HAZEN
Owners
Boulder Ridge Cable TV
dba Starstream Communications

ZOÉ HAZEN

Boulder Ridge Cable TV
3602 Inland Empire Drive, Suite C-200 • Ontario, California 91764 • (714) 980-6700 FAX (714) 989-[illegible]

DAVID B. WESTBURG
Vice President
1414 Fourth Avenue
Post Office Box 720
Seattle, WA 98111-0720

U.S. BANK

July 14, 1993

The Honorable James H. Quello
Chairman
Federal Communications Commission
Washington, DC 20554

Re: MM Docket No. 92-266 - Petition for Reconsideration

Report and Order and Further Notice of Proposed Rulemaking in the Matter of Implementation of Sections of the Cable Television Consumer Protection and Competition Act of 1992

Dear Chairman Quello:

As the manager of Cable TV lending for US Bank of Washington, I have banking relationships with 13 small, locally-owned cable companies in Washington, Oregon and California. I wish to express the following concerns regarding the way implementation of the Cable Television Consumer Protection and Competition Act of 1992 is impacting my clients:

First, the regulations impose an onerous burden on small cable operators. The rate benchmark calculations and regulations setting rates for rental equipment require small operators to compute pages of recordkeeping as if they are huge corporations with dozens of accountants. As you can see from line 1 of the attached Exhibit, 6 of my 13 clients do not have a full-time accountant and will have to pay someone else to do this. The money they pay will not be used for line extensions or equipment upgrades.

Second, the regulations limit the ability of small operators to expand their service into uncabled areas. The Pacific Northwest is growing rapidly and my clients typically reinvest every extra dollar from operations into plant extensions into uncabled areas. The existing rate standards, and the proposal which is being contemplated to roll back rates an additional 18% from the existing standards, will limit the ability of my clients to extend their service into uncabled areas, especially in Northern California and Western Washington.

Third, the proposal under consideration to strike the 30% penetration standard from the definition of effective competition and require cable operators to rollback rates by 18% on top of the existing 10% rollback will cause financial default and bankruptcy for many of my clients. How many small businesses could survive an overnight 30% decrease in revenues? According to my calculations, 7 of my 13 borrowers would experience a payment default on their loans if forced to reduce cable rates by 30% (see line 5 of the attached Exhibit). In light of these facts, I urge the following:

(1) That the FCC amend the regulations to exempt cable TV companies with fewer than 5000 subscribers in each franchised community from reregulation;

(2) That the FCC not strike the 30% penetration standard from the definition of effective competition. Any additional rate rollbacks will threaten the existence of small cable companies.

(3) That Congress and the FCC consider legislation to limit reregulation just to off-air TV networks (e.g. ABC, NBC, CBS and FOX) and allow the market to determine prices for the majority of cable TV channels.

Please give me a call if I can answer any questions or be of any further assistance.

Sincerely,

David Westburg

David B. Westburg
Vice President

DW:ph

cc: The Honorable Ervin Duggan
The Honorable Andrew Barrett
Donna Searcy
Alexandra Wilson

Exhibit I

U.S. Bank of Washington Cable Clients

	July 1993	A	B	C	D	E	F	G	H	I	J	K	L	M
1	Total Employees	See Note #1	78	40	See Note #1	See Note #1	6	4	4	See Note #1	4	4	3	4
2	Accounting Staff		5	2			1	0	0		0	0	0	0
3	Cashflow/Debt Service	1.60	1.10	2.21	1.85	1.61	1.28	1.25	1.69	1.58	1.29	1.12	1.13	1.15
4	Cashflow/Debt Service assuming 30% decline in cashflow.	1.12	0.70	1.55	1.30	1.12	0.88	0.88	1.18	1.10	0.91	0.79	0.79	0.80
5	Payment Default if cashflow declines by 30%:	No	Yes	No	No	No	Yes	Yes	No	No	Yes	Yes	Yes	Yes

Notes:

(1) Borrower is part of larger company with 279 employees and 15 accounting staff.

(3) Cashflow consists of earnings before interest, depreciation and taxes.

(3) Debt Service consists of interest plus principal payments due in next year.

Prepared by David B. Westburg, Vice President, U.S. Bank of Washington